

Message Text

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15

ACTION MC-02

INFO OCT-01 EA-11 ISO-00 EB-11 COME-00 TRSE-00 AID-20

OMB-01 ACDA-19 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 DRC-01 /141 W

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 5570

INFO CINCPAC

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PASS DOD FOR CLEMENTS

E.O. 11652: N/A

TAGS: EGEN, ETRD, MASS, RP, US

SUBJECT: M-16 RIFLE FACILITY

REF: (A) MANILA 7940; (B) STATE 147743

1. IN LINE WITH THE MOST RECENT EXCHANGE OF TELEGRAMS REFLECTED REFTELS WE FELT THAT THE LAST OBSTACLE TO FINAL AGREEMENT ON THIS PROJECT HAS BEEN PASSED WITH THE WORKING OUT OF A FEW OUTSTANDING ISSUES AND WITH AMENDMENTS COVERING THESE CHANGES IN THE COLT/GOP CONTRACT NEEDING ONLY TO BE FORMALIZED. IT NOW APPEARS TO OUR DISMAY, HOWEVER, THAT DESPITE EARLIER INDICATIONS TO THE CONTRARY COLT HAS CONTINUED TO PRESS FOR ABSOLUTE FUNDING GUARANTEE ARRANGEMENTS WHICH GOP AT HIGH LEVELS INSISTS NOT REPEAT NOT POSSIBLE. NEWEST COLT REQUEST PER COPY OF TELEX TO GOP WOULD REQUIRE PHILIPPINE NATIONAL BANK TO ISSUE IRREVOCABLE AND UNCONDITIONAL LETTERS OF CREDIT WHICH WOULD EXTEND NOT ONLY TO COSTS TO BE BORNE BY GOP BUT WOULD ACT AS COVER TO ANY SHORTFALL BY USG REGARDING THE LIMITED OFFICIAL USE

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SECOND FMS CREDIT TRANCHE.

2. GOP UNDERSTANDABLY DISTRESSED OVER THIS LEATEST COLT QUOTE REQUEST UNQUOTE (COPIES POUCHED EA/PHL AND PM/MC JULY 25).

3. AT ONE POINT IN PAST FEW DAYS WE WERE CONVINCED THAT POSSIBLY GOP EFFORTS RETAIN SOME HOLD OVER COLT REGARDING FUTURE EXPORT INTERESTS MIGHT BOG DOWN FINAL WRAPUP OF CONTRACT. HOWEVER, WE WERE PLEASED TO NOTE IN COPIES OF TELEXES PROVIDED BY UNDERSECRETARY OF DEFENSE SALIENTES THAT COLT HAS BEEN ADVISED (PRESUMABLY BY USG) THAT SUCH SIDE DEALS WOULD BE CONTRARY TO THE SPIRIT OF THE US/RP AGREEMENT AND WE NOW ASSURED BY SALIENTES THAT GOP WILL NOT RPT NOT SEEK SUCH A SIDE DEAL.

4. IT MAY BE RECALLED THAT CONCLUSION OF THE BILATERAL AGREEMENT ON THIS PROJECT WAS ACHIEVED SOME WEEKS AGO TO CONSIDERABLE POLITICAL EFFECT. INABILITY TO IMPLEMENT DRAWDOWNS AGAINST THE ALREADY APPROVED LINE OF FMS CREDITS IN THE MEANTIME HAS BECOME A NAGGING SOURCE OF ITTIRTATION TO THE PHILIPPINES THREATENING TO WEAR AWAY THE PROGRESS WE THOUGHT WE EARLIER HAD ACHIEVED. WHILE WE ARE ENCOURAGED BY A REPORT THAT COLT MAY BE DRAWING IN ITS HORNS ON THE FINANCIAL GUARANTEES, IT IS HOPED THAT THE FEW REMAINING DETAILS HINDERING IMPLEMENTATION OF THIS PROJECT CAN BE BROUGHT TO EXPEDITIOUS SETTLEMENT. IF THERE IS ANYTHING FURTHER THAT WE CAN DO AT THIS END OF COURSE WE WOULD WELCOME SUGGESTIONS.
SULLIVAN

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